

2011-2012 School Year

Austin Independent School District

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February 16, 2011

Financial Landscape- *Bleak*

□ Local Revenue

- ▣ Residential property values are declining despite relief efforts.
- ▣ Certified taxable values for 2010 represent a decline of 3.66% decline. The tax appraiser projects another 2.75% to 1% decline for 2011 with modest growth of less than one percent for 2012.

□ State Revenue

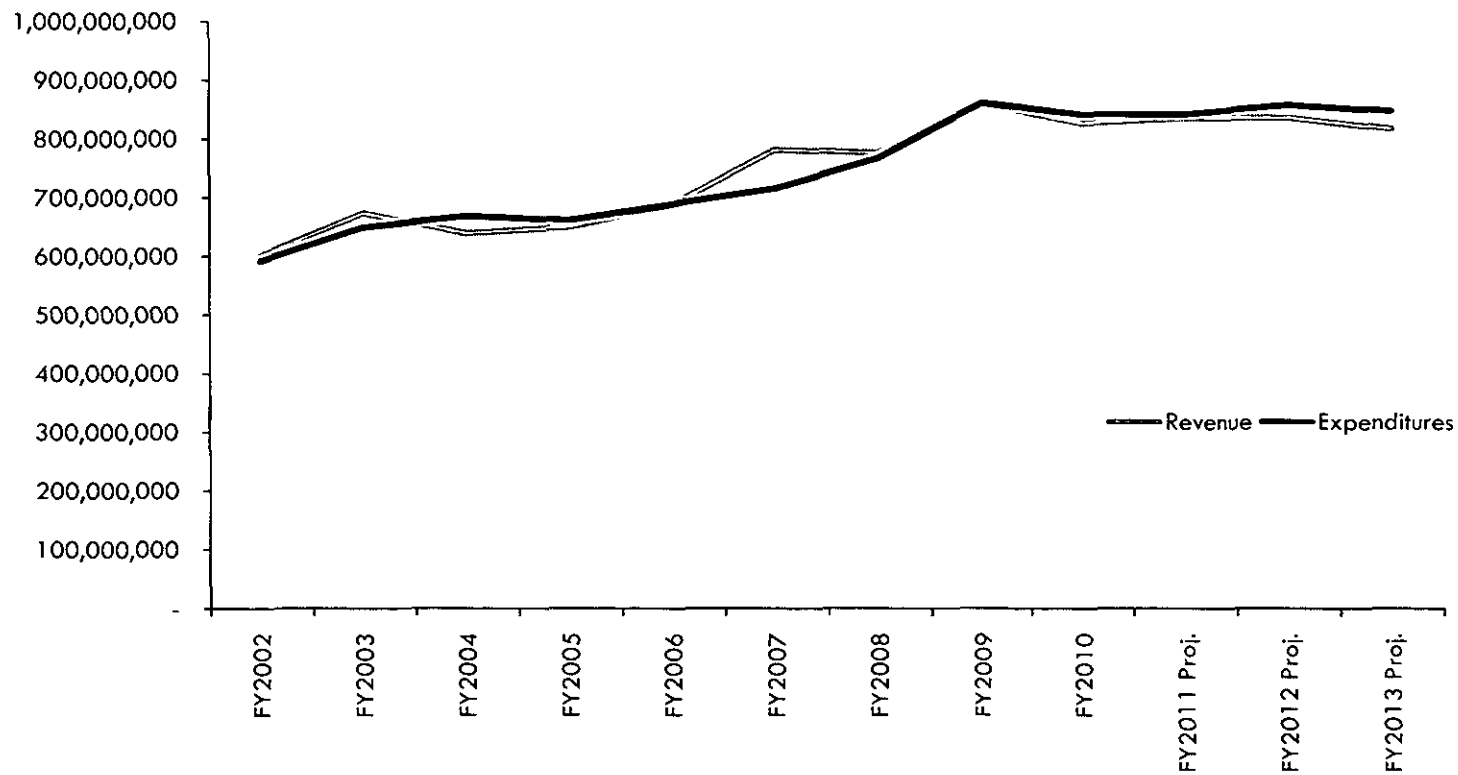
- ▣ State facing estimated \$25B -\$28B shortfall.
- ▣ House Appropriations Bill reduces spending for education by \$10 billion over the next two years (FY12 & FY13) and eliminates virtually all State grant programs.
- ▣ Senate Bill proposes similar reductions but allocates about half a billion dollars more for public education by giving the Texas Education Commissioner about \$200 million per year to allocate

□ Federal Stimulus Funds

- ▣ \$64 million over 2 years, ends 2010/11.
 - ▣ Used to expand important programming, but what happens in 2011/12?
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Expenditures are Outpacing Revenue

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The Impact of Social Security

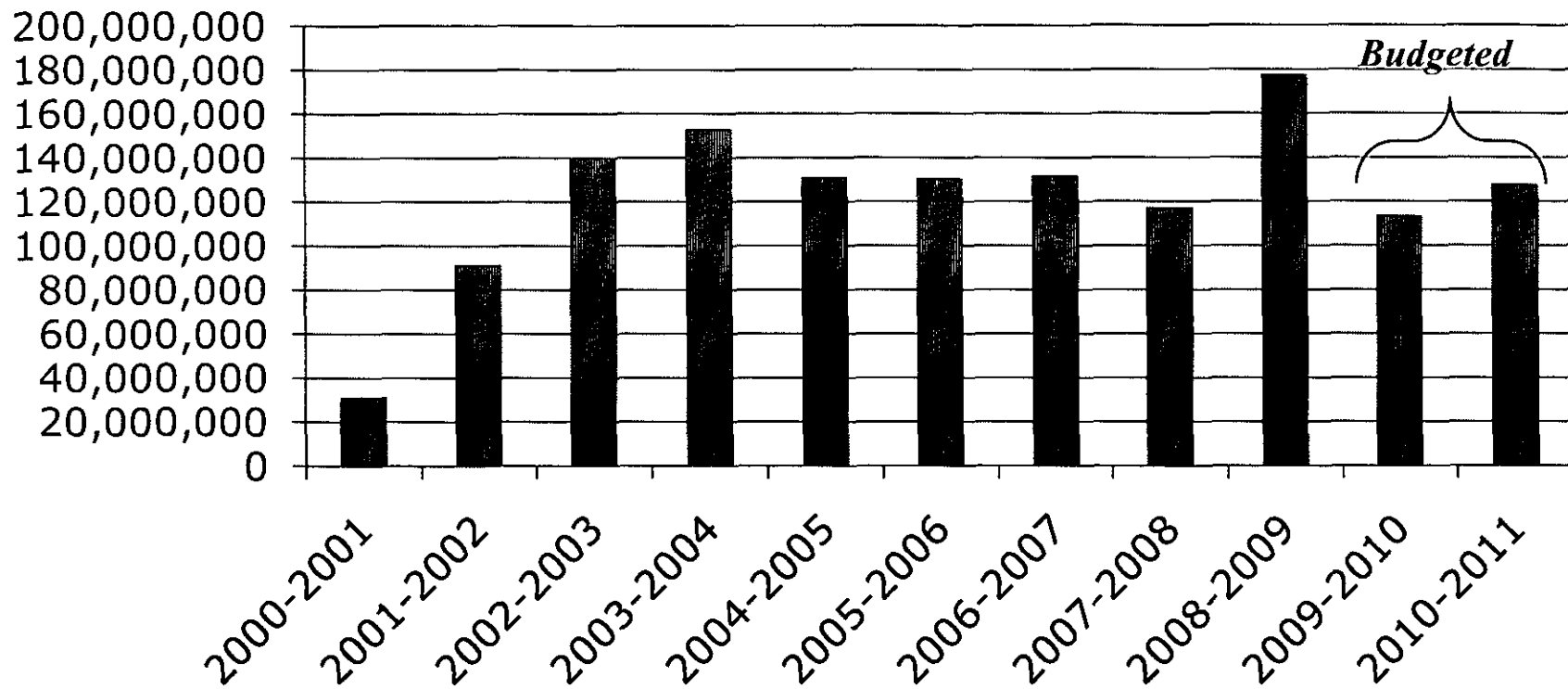
- Of 1000+ Districts in Texas, Austin is one of less than 47 Districts participating in social security.
- \$44 million in total cost to AISD.
- No cost to most other Districts.
- Provides additional support to teachers; viewed favorably by teachers with more experience.
- Also comes out of teacher paychecks; viewed as a negative by teachers with less experience.

The Impact of Recapture

- RECAPTURE, also known as Robin Hood or Chapter 41 is a function of Chapter 41 of the Texas Education Code which equalizes wealth for educational spending. The Chapter 41 provision is intended to “recapture” local tax dollars from “property-rich” districts and redistribute the funds to “property-poor” districts. Under this law, golden pennies represent the six cents that property-rich school districts like AISD are allowed to retain in revenue above the one-dollar tax that is assessed on all taxable property values. Any revenue collected on property taxes above these six cents is subject to recapture by the state. In other words, nearly 40% of the revenue generated beyond the six cents is sent to the state to redistribute to property-poor school districts. In FY 2011, AISD will submit \$127.8 million to the state for redistribution.

AISD Has Paid \$1.3Billion to State in Chapter 41 Payments Since 2000/01

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In FY2011, AISD must send \$127.8M back to the State under Recapture. Under recapture, AISD must send approximately 45% of every penny of tax revenue generated back to the State.

AISSD Austerity Planning in FY10 and FY11

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□ FY2010 Budget Reductions	\$14.6M
□ FY2011 Budget Reductions	<u>\$13.1M</u>
Total	\$27.7M

- FY2010 Budget Reductions eliminated 18 central office positions which saved just over \$700k.
- FY2010 central office hiring freeze saved district over \$1.5M.
- FY2011 Budget Reductions included the elimination of 117 central office positions that saved the district an estimated \$5M.

The Impact of State Budget Cuts

	State Cuts to Education \$2 Billion	State Cuts to Education \$4 Billion	State Cuts to Education \$5 Billion
Projected Expenditures	\$842,252,602	\$842,252,602	\$842,252,602
Projected Revenue	\$830,870,300	\$830,870,300	\$830,870,300
Shortfall	(\$11,382,302)	(\$11,382,302)	(\$11,382,302)
Projected State Cuts	(\$39,558,345)	(\$79,118,408)	(\$98,898,010)
Required Increases	(\$3,871,304)	(\$3,871,304)	(\$3,871,304)
Deficit	(\$54,412,924)	(\$94,372,014)	(\$114,151,616)

AISD is preparing a FY2012 preliminary budget assuming a deficit of \$94.4 million.

It Still Could be Worse: State Methods to Cut

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	Proportional Cut to all School Districts (Best Case Scenario)	No ASATR /Hold Harmless (Target Revenue is capped)	Proration
\$2 Billion	\$39,558,345	\$124,191,179	\$73,123,805
\$4 Billion	\$79,118,408	\$174,195,628	\$152,561,567
\$5 Billion	\$ 98,898,010	\$174,193,767	\$181,879,037

**AISD is preparing a FY2012 preliminary budget assuming State
reductions of \$79.1 million.**

Proposed Options to Close the Gap

- For the purposes of planning the FY2012 budget, we are assuming a deficit of \$94.4 million
- Proposed reductions/savings total \$ \$62,849,533
- Reductions will affect virtually every area of the system
- Leverages recommendations from both the budget survey and the recommendations from the TASB staffing review
- Attempts to realize greater efficiencies in staffing; and areas like fuel, energy facilities and transportation
- The Board is scheduled to take action on the Declaration of Financial Exigency on Feb 28th to effectuate a Reduction In Force of 1,071 FTEs as a result of gap closing actions and expiring Stimulus funds
- Reductions will need to be implemented over the next two years as Austin cannot absorb reductions beyond \$75M in a single fiscal year

Highlights of Affected Areas

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- Class sizes/Workload/Program Design:
 - ▣ Class size increase by two pupils in grades Pre-k thru 4th
 - ▣ Teacher workload increase to 174 at secondary campuses
 - ▣ Reduction of Parent Support Specialists (shared service model)
 - ▣ Changing the model for Librarians at secondary campuses
 - Programmatic Reductions:
 - ▣ Reducing summer school programming to mandatory requirements
 - ▣ Reading and transition programs for at-risk students
 - ▣ Reducing interventions for struggling schools
 - ▣ Athletics reduction of 5%
 - ▣ Reducing Professional Development days
 - Employees will share the burden as we could face higher contributions for health, two unpaid furlough days, a reduction in leave days and elimination of bonuses
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AI SD May Need to Use \$31 to All of its Fund Balance

- ❑ Projected year end unobligated fund balance is \$145.4M
- ❑ Since we did not fully resolve the gap of \$94.4M, AI SD will need to access \$31.2M in fund balance
- ❑ If specific legislative actions are not approved, it would increase AI SD's use of fund balance to \$46.3M.
- ❑ If the State uses a wealth based approach to pass on school district cuts, AI SD could experience add'l reductions of \$45M to \$95M on top of the \$94.4M, which would essentially deplete the District's fund balance
- ❑ Accessing Fund balance beyond \$15M will put AI SD at a dangerous level and corrective actions will need to be taken so that its bond rating is maintained
- ❑ Since accessing fund balance is a one-time option, significant cuts would also need to be made in FY2013 to stabilize the budget

Why Fund Balance Matters

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- It is not a “rainy day” fund like the stat has but a cash reserve for operations.
- AISD is one of a handful (7) of Districts with the highest rating of “Triple A” in Texas.
- Affects our overall credit worthiness which determines borrowing costs
 - ▣ It is estimated we saved taxpayers approx. \$1.2M annually or \$16.5M for the life of the bonds in our most recent bond issue as a result of our increase in rating
- Maintains cash reserve to cover operating costs during low cash periods
 - ▣ Property tax collections lag until due date making it tougher to float payroll thru December
 - ▣ Maintaining a cash reserve helps AISD avert costs of issuing Tax Anticipation Notes (TANs)
 - ▣ cover unforeseen expenditure needs, revenue shortfalls and emergencies
 - ▣ provide funds to leverage state or federal grants
- Bond rating reports indicated deficiency that continued drawdown on reserves would weaken districts financial position and credit quality

Facilities Master Plan Process Status

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OCTOBER 12 -
JANUARY 8

JANUARY 18

JANUARY 18 -
FEBRUARY 14

FEBRUARY 14

FEBRUARY 15 -
MARCH 27

MARCH 28

Task Force
Generates
and
Evaluates
Options

Task Force
Receives
Feedback
from
Community
Meeting #3

Task Force
Develops Draft of
Preliminary
Master Plan

Board Reviews Draft
of Preliminary
Master Plan

Finalize
Master Plan

Board Takes
Action on
Acceptance
of Facility
Master Plan

AISD Challenges Behind the Draft Facility Master Plan

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- ☐ Accomplishing priorities within a shrinking budget
 - ☐ Student migration impact on facility planning
 - ☐ How can facilities planning support and complement educational program planning?
 - ☐ Boundary adjustment solutions for facility efficiency
 - ☐ Balancing short-term and long-term facility resource needs
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Facility Task Force Recommendations

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- ☐ Reduce Portable Usage
- ☐ Fund New Construction in growing areas
- ☐ Address unfunded but critical New Construction & Capital Improvements needs on campuses
 - Functional equity improvements at identified
 - Campuses
 - Repurposing of designated off-line facilities to support educational programming
- ☐ Close/Consolidate
 - Consider 1 middle school, 8 elementary schools.
- ☐ Implement Programmatic Facility designs
- ☐ Consider Policy changes
 - Consider redrawing boundaries in most critically overcrowded areas
 - Analyze each school to determine if limitations to transfers/choice options are needed
- ☐ Operate Efficiently and Generate Potential Revenue

QUESTIONS

